

VZCZCXRO6746
RR RUEHRG
DE RUEHSO #0432/01 2211632
ZNR UUUUU ZZH
R 081632Z AUG 08
FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC 8450
INFO RUEHBR/AMEMBASSY BRASILIA 9591
RUEHRI/AMCONSUL RIO DE JANEIRO 8808
RUEHRG/AMCONSUL RECIFE 4169
RUEHAC/AMEMBASSY ASUNCION 3475
RUEHBU/AMEMBASSY BUENOS AIRES 3228
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RUEHLP/AMEMBASSY LA PAZ 3887
RUEHSG/AMEMBASSY SANTIAGO 2475
RUCPDO/USDOC WASHDC 3142
RHEHNSC/NSC WASHDC
RUEHC/DEPT OF LABOR WASHDC

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SENSITIVE
SIPDIS

STATE FOR WHA/BSC, WHA/EPSC, G/TIP
EEB/ESC AND GREG MANUEL
STATE FOR DRL

E.O. 12958: N/A

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SUBJECT: SUGAR, ETHANOL, CHARGES OF SLAVERY, AND TIP STRATEGY IN
BRAZIL

Ref: A) 08 Sao Paulo 269; B) 08 Brasilia 962

SUMMARY

1.(SBU) Brazil's high profile, high-tech ethanol industry has fallen under an international spotlight for alleged use of forced or slave labor to harvest sugarcane. The press focus on sugarcane has drawn attention away from other sectors which may be at higher risk for forced labor/slave exploitation (cattle ranching, charcoal production, the sex industry). Top NGO labor experts have stated that while isolated problems remain in the sugarcane industry, the situation is improving and these other industries should be of more concern. Singling out or over-emphasizing sugarcane could play into the hands of some in the GOB who allege that U.S. TIP policy is only a cover to attack Brazil's flagship ethanol industry (Ref B). Mission suggests a broad anti-TIP strategy that enlists the large, more advanced sugarcane producers as allies in the fight against forced labor. Our efforts should also emphasize that the USG commitment to TIP is global in scale and rooted in our commitment to human rights. End Summary.

Sugar is (Again) King

2.(U) Brazil has been a sugar producer for centuries and the development of ethanol as a promising green fuel has lent new energy to this key industry. The country's contemporary sugar industry is worth \$40 billion, or 2.35 percent of GDP. It directly employs 1.1 million people, and its prospects for growth are tremendous (Ref A). Understandably, Brazil's leaders take great pride in their country's world class status as a leader in green fuels production.

The Evidence for Forced Labor/Slavery

3.(U) Reports of forced or slave labor in sugarcane harvesting have marred the image of Brazil's ethanol industry. In May, the State Department's Trafficking in Persons (TIP) report characterized forced labor on sugarcane plantations as a growing trend. Days later, Amnesty International echoed the TIP report's assessment. With Brazilian ethanol production for export on the rise, the issue has caught the attention of the international press, particularly in

the U.S. and Europe (Ref A).

4.(U) Concerns about forced or slave labor in sugarcane are understandable. Among the many red flags/factors that contribute to the concern are the following:

--Sugarcane cutting has been, for most of its history, a slave-dominated industry. Cane cutting itself remains difficult work, little changed in 500 years. A sugarcane cutter harvests on average 8-10 tons of cane a day, striking with his machete an average of 73,000 times under the hot sun.

--Sugarcane workers do not live where they labor. Many migrate from the Northeast, the poorest region of Brazil, to Sao Paulo State, the richest part of the country. They often come with the help of a coyote-type figure known locally as a "gato" ("cat" in Portuguese). Gatos work most frequently with small sugar plantations. In their role as middlemen, they can exploit those desperate for work, operating as illegal outsourcers of labor for cane cutting. (Brazilian law forbids enterprises from outsourcing their principle economic activities.) Industry studies show that outsourced workers suffer worse conditions than their direct hire counterparts.

-- In 2007, GOB Ministry of Labor authorities "liberated" nearly 6,000 agricultural workers from conditions deemed slave-like as defined in Brazilian law. More than half of those freed worked in the sugarcane sector.

But the Case is Not Open and Shut

5.(U) Despite the negatives, the case for expanding forced/slave

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labor in the sugarcane industry is not open and shut, according to industry reps, government officials and NGO anti-slavery activists. All cited a number of factors that qualify the recent negative image the industry has garnered in the press. Among the points they made to Econoff were:

--Sugarcane is not one of the top sectors most at-risk for slave labor. According to Leonardo Sakomoto and Caio Magri - widely regarded as two of Brazil's leading experts on slave labor - the cattle industry is by far the leader in this category. Sakomoto and Magri estimate that as much as 60 percent of slave labor cases are concentrated in this industry. (Note: This assessment coincides with GOB findings per Ref. B. End Note) ConGen contacts state that cattle, soy, cotton, corn, and charcoal are all activities that surpass sugarcane in the risk of employing slave or forced labor.

--Sugarcane workers receive wages that are higher than those of unskilled workers in other industries. The average wage in Sao Paulo state for a cane cutter is 81 percent higher than the minimum wage. Nationally, the average wage is 30.3 percent above minimum wage.

--The vast majority of sugarcane workers are formally employed. In Sao Paulo state (which accounts for 60 percent of Brazil's sugarcane production) 92 percent of the cane workforce is formally employed. In the North-Northeast, 65 percent of the cutters work in the formal sector. The national average for the industry stands at 74 percent, well above the national average for formal sector employment of some 57 to 62 percent according to GOB official figures. (Note: Some institutions claim that these official figures are wildly inflated for the percentage of the work force employed in the formal sector. Consulate General sources cited figures that indicated a far lower level formal sector employment in Brazil - 33.6 percent according to our calculations -- as closer to reality. Regardless, the number of cane workers employed in the formal sector is significantly higher than the national average for formal sector employment. End Note.)

--Formal sector labor brings a number of benefits to workers, including access to ISSB (Social Security and Health Benefits) and regular labor inspections. A recent study of mortality among cane workers by Marcia Azanha, a university professor and former World Bank consultant, found that cane cutters have a lower incidence of

fatal work accidents than the average of workers in Brazil's agricultural sector as a whole.

--Workers liberated by Labor Inspectors cannot automatically be counted as former slaves because, according to Leonardo Sakamoto, Brazilian law defines forced labor or "slave like" or "degrading" conditions more broadly than does the ILO or the relevant UN Protocols. Consequently, a company cited for violations of the Brazilian labor code is not necessarily guilty of employing slave labor, but may in fact have fallen short in some other area.

-- Sakamoto noted that proven problems of forced labor have been limited to nine plantations (out of approximately 50,000 across the country). The worst situations occur on small plantations that use out-sourced labor. In contrast, larger, more modern plantations provide far better housing and working conditions.

A Muddy Debate and Pending Mechanization

6.(U) If key considerations muddy the debate over forced/slave labor in the sugarcane industry, a second challenge that faces Brazil is looming mechanization. Most of the large producers are now moving rapidly toward replacing sugarcane cutters with harvesting machines, in order to improve efficiencies and to reduce the sugarcane's carbon footprint. Some experts argue that the real crisis will come when mechanization destroys many of the cane-cutting jobs and leaves thousands unemployed.

Comment: Sugar, Slavery and TIP Strategy

7.(SBU) While there is reason to be concerned about the sugarcane cutters, observers agreed that the vast majority of cane workers

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enjoy formal employment, which gives them access to social benefits, and that their employers are subject to labor inspections. These are basic conditions that the vast majority of Brazilian workers do not possess.

8.(SBU) Moreover, by focusing our TIP concerns on sugarcane and, by extension, the ethanol industry, the USG fuels the fires of anti-TIP critics who argue that our anti-slavery TIP policies are just a cover to promote U.S. economic interests at the expense of Brazil's flagship ethanol industry (Ref B).

9.(SBU) Mission suggests that the USG take a broad front strategy against TIP in Brazil, by highlighting the most at-risk industries: remote cattle ranches in the Amazon and other frontier agricultural areas, urban brothels, and the already highly-publicized charcoal industry that feeds into pig iron and ultimately steel production. We might also engage large sugar producers as allies in the fight against forced labor and TIP, something that sector-wide criticism could inhibit. Finally, at the most general level, the Mission will continue our efforts at education to demonstrate to the Brazilian public, as well as government, that USG TIP policies are global and based on genuine moral/humanitarian principles and not simply a function of US economic interests. End Comment.

10. This cable was coordinated with and cleared by the Embassy in Brasilia.

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